

PREPARATION AND FILING OF RETURN OF INCOME

RETURN OF INCOME

Return of income is the format in which the assessee furnishes information as to his total income and tax payable. The format for filing of returns by different assesseees is notified by the Central Board of Direct Taxes. In short, a return of income is the declaration of income and the resultant tax by the assessee in the prescribed format.

VOLUNTARY RETURN OF INCOME

- > **(1) Return by an individual, HUF, AOP, BOI or an artificial juridical person** [Sec. 139(1)]
Every individual, HUF, AOP, BOI or an artificial juridical person shall file the return on or before the due date, of his total income or the total income of any person (in respect of which he is assessable), if the income without giving effect to the provisions of sections 80C to 80U exceeded the maximum amount which is not chargeable to income tax.
- > **(2) Return by a Company or a Firm**
Every company or a firm shall furnish on or before the due date the return in respect of its income or loss in every previous year.
- > **(3) Return by Ordinarily Resident person having assets located outside India**
An ordinarily resident person (who is not required to furnish the return otherwise), who at any time during the previous year (a) holds, as a beneficial owner or otherwise any asset (including financial interest in any entity) located outside India or has signing authority in any account located outside India or (b) a beneficiary of an asset (including any financial interest in any entity) located outside India, shall furnish on or before due date a return in respect of income or loss for the previous year.
- > **(4) Return on behalf of a Charitable Trust, etc.**
If the total income of a charitable or religious trust (without deducting exempted incomes under sections 11 and 12) exceeds the non-taxable maximum limit, it shall furnish a return of income for the previous year on or before the due date.
- > **(5) Return on behalf of a Political Party**
The Chief Executive Officer of every political party, if the total income of the party (without deducting exempted incomes under section 13A) exceeds the maximum amount which is not chargeable to tax, furnish a return of income of the previous year on or before the due date.
- > **(6) Return by other Persons**
If the total income of a person (without giving exemption under section 10) exceeds the maximum amount which is not chargeable to tax, furnish a return of income of the previous year on or before the due date.

MANDATORY REQUIREMENT TO FILE RETURN OF INCOME

A person shall be mandatorily required to file his return of income, if during the previous year, he has :

- (i) deposited more than ₹ 1 crore in one or more current account maintained with a bank or a cooperative bank; or
- (ii) incurred more than ₹ 2 lakh for himself or any other person for travel to a foreign country; or

- (iii) incurred more than ₹ 1 lakh towards payments of electricity bill; or
- (iv) he fulfils such other conditions as may be prescribed [w.e.f. Assessment Year 2020-21].
- (v) Person being Resident other than RNOR, having any asset located outside India or signing authority in any account located outside India or is beneficiary of any asset located outside India.
- (vi) Individuals, HUFs, AOPs or BOIs and artificial juridical persons having total income exceeding basic exemption limit before giving effect to the provisions of Chapter VI-A or exemption u/s 54/54B/54D/54EC or 54F.

[Sec. 139(3)]

> Return of Loss

If any person who has sustained a loss in any previous year under the head 'Profits and Gains of Business or Profession' [Non-speculative business (Sec. 72), speculative business (Sec. 73), Specified business (Sec. 73A)] or 'Capital Gains' (Sec. 74) or owning and maintaining race horses (Sec. 74A) and claims that the loss should be carried forward, he should furnish a return of loss on or before the due date. If the return of loss is not filed up to due date, the loss cannot be carried forward and set-off.

However, loss from House Property (Sec. 71B), unabsorbed depreciation [Sec. 32(2)], unabsorbed capital expenses on scientific research (Sec. 35) and unabsorbed capital expenses on family planning [Sec. 36(1)(ix)] can be carried forward and set-off even the return has not been filed.

> Due Date for Filing Return

- (a) Where the assessee is (i) a company, or (ii) a person (other than a company) whose accounts are required to be audited or (iii) a working partner of a firm whose accounts are required to be audited, under this Act or any other law—31st October of the Assessment Year; (extended to 30.11.2021 for the Assessment Year 2021-22)
- (b) Assessee who is required to furnish a report from C.A. regarding international transaction (u/s 92E)—31st October of the Assessment Year; (extended to 30.11.2021 for the Assessment Year 2021-22)
- (c) In any other case—31st July of the Assessment Year. (extended to 30.09.2021 for the Assessment Year 2021-22)
- (d) Due date of filing of Belated or Revised ITR from Assessment Year 2021-22 onwards is 31st December of the Assessment Year or before completion of assessment, whichever is earlier.

NOTICE UNDER SECTION 142(1)(i) BY PRESCRIBED INCOME TAX AUTHORITY

> Notice where Return Filed

Assessing Officer/w.e.f. Assessment Year 2021-22, Prescribed Income Tax Authority may serve notice on any person, who has furnished a Return u/s 139/115WD requiring him as under:

Requirement	Conditions
To produce required accounts and documents.	Books should not relate to a period more than three years prior to the previous year.
To furnish such information in writing, including a Statement of Assets and Liabilities, as may be required by the Assessing Officer.	Prior approval of JCIT is necessary before requiring the Assessee to furnish a Statement of Assets and Liabilities not included in the books of accounts.

Inquiries [Sec. 142(2)] : The Assessing Officer can make such inquiries necessary for obtaining full information regarding income or loss of any person.

WHICH ITR FORM IS APPLICABLE TO WHOM?

The Form ITR-1 'Sahaj' is for the individuals being a resident (other than not ordinarily resident) having total income upto ₹ 50 lakh, having Income from Salaries, one house property, other sources (Interest, etc.) and agricultural income upto ₹ 5 thousand and not for an individual who is either Director in a company or has invested in unlisted equity shares or in cases where TDS has been deducted under section 194N or if income tax is deferred on ESOP.

Form ITR-2 is for Individuals and HUFs not having income from profits and gains of business or profession.

The Form ITR-3 is for individuals and HUFs having income from profits and gains of business or profession.

The Form ITR-4 'Sugam' is for Individuals, HUFs and Firms (other than LLP) being a resident having total income upto ₹ 50 lakh and having income from business and profession which is computed under sections 44AD, 44ADA or 44AE. This form is **not** for an individual who is either Director in a company or has invested in unlisted equity shares or if income-tax is deferred on ESOP.

The Form ITR-5 is for persons other than : (i) individual, (ii) HUF, (iii) company and (iv) person filing Form ITR-7. Further **Form ITR-6** is for Companies other than companies claiming exemption under section 11.

The Form ITR-7 is for persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D) only.

The Form ITR-V Where the data of the Return of Income in Form ITR-1 (SAHAJ), ITR-2, ITR-3, ITR-4(SUGAM), ITR-5, ITR-7 filed but NOT verified electronically.

➤ Preparation of Return Manually

The assessee should choose the return of income keeping in view in which category (Individual, Firm, Company etc.) he falls and the sources of his income. If he is not required to file his return electronically, he can prepare his return manually, verify it and deposit it in the Income Tax Office.

If the assessee is required to file his return electronically, it is suggested that he should fill the return form manually so that at the time of filling the form on-line, there is no hustle.

MANNERS OF FURNISHING THE RETURN OF INCOME

The return of income shall be furnished by a person mentioned in column (ii) of the Table below to whom the conditions specified in column (iii) apply, in the manner specified in column (iv) thereof :

[Notification No. SO 1006(E) Dated 30.3.2017 (Rule 12)]

Table

Sl.	Person	Condition	Manner of furnishing return of income
(i)	(ii)	(iii)	(iv)
1.	Individual or Hindu undivided family	<p>(a) Accounts are required to be audited under section 44AB of the Act;</p> <p>(b) An individual resident of India and of the age of 80 years or more at any time during the previous year; who furnishes the return in Form No. ITR-1 (SAHAJ) or Form No. ITR-4 (SUGAM).</p>	<p>Electronically under digital signature</p> <p>(A) Electronically under digital signature; or</p> <p>(B) Transmitting the data in the return electronically under electronic verification code; or</p> <p>(C) Transmitting the data in the return electronically and thereafter submitting the verification of the return in Form ITR-V; or</p> <p>(D) Paper form.</p>
		(c) In any other case	<p>(A) Electronically under digital signature; or</p> <p>(B) Transmitting the data in the return electronically under electronic verification code; or</p> <p>(C) Transmitting the data in the return electronically and thereafter submitting the verification of the return in Form ITR-V.</p>

Sl.	Person	Condition	Manner of furnishing return of income
(i)	(ii)	(iii)	(iv)
2.	Company Form ITR-6	In all cases.	Electronically under digital signature;
3.	A person required to furnish the return in Form ITR-7	(a) In case of a political party (b) In any other case	Electronically under digital signature; (A) Electronically under digital signature; or (B) Transmitting the data in the return electronically under electronic verification code; or (C) Transmitting the data in the return electronically and thereafter submitting the verification of the return in Form ITR-V.
4.	Firm or limited liability partnership or any person (other than a person mentioned in Sl. 1 to 3 above) who is required to file return in Form ITR-5	(a) Accounts are required to be audited under section 44AB of the Act. (b) In any other case.	Electronically under digital signature; (A) Electronically under digital signature; or (B) Transmitting the data in the return electronically under electronic verification code; or (C) Transmitting the data in the return electronically and thereafter submitting the verification of the return in Form ITR-V.

STEPS FOR E-FILEING OF INCOME TAX RETURN

1. Visit www.incometaxindiaefiling.gov.in
2. Select the required ITR Form and download Return Preparation Software for the selected Form.
3. Prepare your return offline at your convenience and follow simple steps to upload your Return.
4. On successful upload take the print of the acknowledgement form if the Return is digitally signed or under electronic verification code.
5. In case the Return is not digitally signed, or under electronic verification code, take the print of ITR-V Form (two copies).
6. Send one copy ITR-V Form duly signed and verified by **Ordinary Post** or **Speed Post** within 120 days from the date of filing of the Return at the following address :
Income Tax Department, CPC
Post Bag No. 1,
Electronic City Post Office,
Bengaluru-560100 (Karnataka).

➤ Facilities provided by the Department for e-filing of I. T. Return :

1. Calculation of tax and interest through Return Preparation Software.
2. View Tax Credit Statement (26AS) of all taxes paid and deducted, without registration.
3. Check processing status of your e-filed Returns online.
4. Get refund through Refund Banker Scheme.

Advantages of e-filing of Return :

1. Convenient and secure online transaction.
2. Available anytime, anywhere.
3. Higher Data accuracy.
4. Faster processing of Returns and Quicker Refunds.
5. E-filing of Return is paperless. It saves trees and environment.

Note : On-line filling of return of income, digital signature and digital verification code, will be taught in the practical class.

E-FILING OF INCOME TAX RETURNS

According to Section 139 (1) of the Income Tax Act, 1961 of India, individuals whose total income during the previous year is more than the maximum amount not chargeable to tax, should file their income tax returns (ITR). When such individuals file their income tax returns online, the process is known as e-filing. As taxpayer, assessee can seek professional help or file returns by simply registering on the income tax department website or other relevant websites.

TYPES OF E-FILING

Here are the different ways in which assessee can e-file income tax returns :

Assessee can use a Digital Signature Certificate (DSC) to e-file tax returns. It has been made mandatory to file income tax forms using Digital Signature Certificate (DSC) by a chartered accountant.

In case assessee want to e-file income tax returns without DSC, an ITR V form is generated which should then be printed, duly signed and submitted to CPC, Bangalore. This document must be sent by ordinary post or speed post within 120 days from the date of e-filing.

As taxpayer, assessee can also e-file income tax returns through an E-return Intermediary (ERI), with or without DSC.

PARTIES WHO FILE INCOME TAX RETURNS

Filing income tax returns online is a simple and can be done by most assessees :

- Assessee with a cumulative income more than ₹ 5 lakh.
- Individual/HUF resident with assets located outside India.
- An assessee as to provide returns under section 139 (4B) (ITR 7).
- Assessee needs to provide a notice under Section 11(2) (a) to the assessing officer.
- An assessee required to furnish a report of audit specified under sections 10(23C) (IV), 10(23C) (v), 10(23C) (VI), 10(23C) (via), 10A, 12A (1) (b), 44AB, 80IA, 80IB, 80IC, 80ID, 80JJAA, 80LA, 92E or 115JB of the Act.
- A firm that does not fall under the provisions of section 44(AB), AOP, BOI, Local Authority (ITR 5), Artificial Juridical Person or Cooperative Society.
- A person who claims relief under sections 90 or 90A or deductions under section 91.
- A person who is a resident and has the signing authority in any account, which is located outside India.
- All companies.
- **Check tax credit - Form 26AS vs. Form 16 :** It is imperative that assessee check Form 26AS before assessee file returns. This form provides an insight into the amount of tax deducted from salary and deposited by employer to the income tax department. It is always wise to make sure that the tax deducted from income as per Form 16 matches with the amount mentioned in Form 26AS. If assessee file returns without rectifying errors, assessee are liable to get a notice from the income tax department.

- **Claim 80G, savings certificates and other deductions :** Assessee can claim deductions under section 80G on donations made to charitable institutions, relief funds. It is important to note that all donations are not eligible, donations into prescribed funds only become eligible. Another point to note is that contributions made upto ₹ 2,000 in cash are eligible for claiming deductions. If one wants to make a higher donation, it has to be made through cheque or demand draft.
- **Interest statement - Interest on savings accounts and fixed deposits :** On interest earned on savings accounts, a deduction for up to ₹ 10,000 is allowed. Nonetheless, the interest earned on bank deposits becomes a part of taxable income and is taxable at applicable slab rates.
- In addition to the aforementioned statement, assessee must have the documents in hand :
 - Last year's tax returns,
 - TDS (Tax Deducted at Source) certificates,
 - Bank statements,
 - Profit and Loss Account, Balance Sheet and Audit Reports, if applicable.

DOCUMENTS REQUIRED TO FILE INCOME TAX RETURN

When filing income tax return online or physically, it is always a good idea to be prepared. The below mentioned details serve as a checklist to help assessee get started with the e-filing of income tax returns.

➤ **General details that would be required**

- Bank account details,
- PAN.

➤ **Reporting Income from Salaries required**

- Rent receipts for claiming HRA,
- Form 16,
- Pay slips.

➤ **Reporting Income from House Property required**

- Address of the house property.
- Details of the co-owners along with their share in the mentioned property and PAN details.
- Certificate for home loan interest.
- The date when construction was completed, in case an under-construction property was purchased.
- Name and the rental income of the tenant, if the property is rented.

➤ **Reporting capital gains required**

- There is a requirement of a stock trading statement with purchase details, in case there are capital gains from selling the shares.
- If a house or property is sold, assessee must sought sale price, purchase price, details of registration and capital gain details.
- Mutual fund statement (details), purchase and sale of equity funds, debt funds, SIPs and ELSS.

➤ **Reporting Income from other sources required**

- The income from interest is reported. In case of interest accumulated in savings account, bank account statements are required.
- Interest income from tax saving bonds and corporate bonds must be reported.
- The income details earned from post office deposit must be reported.

FILING OF INCOME TAX RETURNS ONLINE

609

HOW TO FILE E-RETURNS

Filing income tax returns has never been easier. Simply follow the below mentioned steps and assessee can seamlessly conduct the process :

- Fill income tax returns offline and upload XML on the official website which is www.incometaxindiaefiling.gov.in
- Make necessary preparation and submit ITR 1 online.

NEW TAXPAYER-FRIENDLY E-FILING PORTAL LAUNCHED BY THE INCOME TAX DEPARTMENT (on 7th June, 2021)

> Highlights of the New Portal

The Income Tax Department has launched its new e-filing portal www.incometax.gov.in on 7th June, 2021. The new e-filing portal (www.incometax.gov.in) is aimed at providing taxpayer convenience and a modern, seamless experience to taxpayers :

- New taxpayer friendly portal integrated with immediate processing of Income Tax Returns (ITRs) to issue quick refunds to taxpayers;
- All interactions and uploads or pending actions will be displayed on a single dashboard for follow-up action by taxpayer;
- Free of cost ITR preparation software available with interactive questions to help taxpayers for ITRs 1, 4 (online and offline) and ITR 2 (offline) to begin with; Facility for preparation of ITRs 3, 5, 6, 7 will be made available shortly;
- Taxpayers will be able to proactively update their profile to provide certain details of income including salary, house property, business/profession which will be used in pre-filing their ITR. Detailed enablement of pre-filing with salary income, interest, dividend and capital gains will be available after TDS and SFT statements are uploaded (due date is June 30th 2021);
- New call centre for taxpayer assistance for prompt response to taxpayer queries. Detailed FAQs. User Manuals. Videos and chatbot/live agent also provided;
- Functionalities for filing Income Tax Forms, Add tax professionals, Submit responses to Notices in Faceless Scrutiny or Appeals would be available.

> Pre filed ITR Forms (Applicable from Assessment Year 2021-22)

To ease filing of returns, details of capital gains from listed securities, dividend income, and interest from banks, post office, etc. will now be pre-filed in ITR Forms. Earlier Pre-filed ITR form was available for Salaried employees where Income was reflected on basis of Form 16, but now the scope has been expanded.

STEPS TO FOLLOW TO FILE INCOME TAX RETURNS ONLINE

Now, filing income tax income has become an extremely easy process, with the following steps :

- To begin with, log on to IncomeTaxIndiaefiling.gov.in and register on the website. Permanent Account Number (PAN) becomes user ID.
- Now, assessee can view tax credit statement or Form 26AS. The TDS in Form 16 must tally with the figures in Form 26AS. If not, assessee must correct the discrepancy.
- Click on the income tax return forms and choose the financial year assessee want to file returns for.
- Then, assessee need to download the ITR form which applies to assessee. If exempt income (Agricultural income) exceeds ₹ 5,000, then the appropriate form will be ITR-2.

However, assessee can complete the process on the portal itself, by using the 'Quick e-file ITR' link, if the applicable form is ITR-1 or ITR 4S.

- Next step is to open excel utility, which is the downloaded return preparation software and enter all the details in the form using Form 16.
- Calculate and get an estimate of the tax payable amount by clicking the 'calculate tax' tab.
- Now, if applicable, pay tax and fill in the challan details.
- Confirm all the information provided in the worksheet by clicking on the 'validate' tab.
- Download this in an XML file and save it on desktop.
- Then, go to 'upload return' on the portal's panel and upload the saved XML file.
- A pop-up will appear, requesting to digitally sign the file. In case assessee have digital signature, then, select 'Yes'. In case assessee have not got digital signature, select 'No'.
- ITR Verification (ITR-V), which is the acknowledgment form will be generated in a downloadable format.
- Generate a printout of the form ITR-V and sign it only in blue ink.
- Send this form to the Income-Tax Department-CPC, Post Bag No. 1, Electronic City Post Office, Bangalore, 560100, Karnataka, by ordinary or speed post, within 120 days of filing returns online.

➤ Steps to File ITR1 and ITR4S Online

Assessee can submit assessee ITR 1 or ITR 4S forms by uploading XML on the official website or by online submission. The below mentioned steps should be able to guide the assessee :

- Login to e-Filing application.
- Go to 'e-File' and click on 'Prepare and Submit ITR Online'.
- Choose the Income Tax Return Form ITR 1 or ITR 4S and enter the assessment year.
- Complete the details and then click on 'Submit' and select 'DSC (Digital Signature Certificate)', in case it's available. Now, click on the 'Submit' button.
- Once the submission is done, acknowledgement detail is displayed.
- Click on the link to view or take a printout of the acknowledgement or ITR V form.
- In case assessee wish to use DSC, assessee will have to register it in the e-filing application. Simply log into the e-filing website of the income tax Department and update the 'Profile Settings' section. Under this section, assessee need to select 'Register Digital Signature' Certificate and download the ITD e-Filing DSC Management Utility.
- It is worthy to note that for Assessment Year 2021-22, ITR 1 to 4 can be filed using single JSON Utility (as Excel & Java version of ITR utilities has been discontinued from Assessment Year 2021-22).

THINGS TO KEEP IN MIND WHILE E-FILING

A couple of facts need to be considered when filing income tax returns online. Here's a comprehensive list of all of them :

- In case name which is mentioned in bank documents or official statements is different from the one given in the PAN card even a bit, the portal will consider assessee as a completely separate individual. In some cases, some taxpayers give their father's name as their 'middle' name in their PAN card, but do not use the same for their bank accounts.
- If the same mobile number or email address is entered by more than four taxpayers on the website, unless the required change is done.

For instance, in some cases, more than five returns may be filed which may include assessee, his wife, his mother, his father in law and the Hindu undivided family (HUF) of which assessee is the Karta or the executor of a will.

- If assessee is a non-resident Indian and wish to file income tax returns, assessee will require both, an India number and a foreign number.

ON-LINE FILLING OF RETURN OF TAX DEDUCTED AT SOURCE

If a person paying the amount (in cash, through banking channel, by crediting in an account or by any other mode) on which tax is deductible at source, he will deduct tax at the prescribed rate and pay the balance to the deductee.

> Time limit for depositing the sum deducted at source (Rule 30)

Time limit for depositing the sum deducted at source from various categories of payments are as under :

1. Where the tax deduction is made by or on behalf of the Government :

- (i) Where the tax is paid without the production of an income-tax challan—on the same day.
- (ii) Where tax is paid accompanied by an income-tax challan—within seven days from the end of the month in which the tax is deducted.

2. Other deductors :

- (i) Where the income or amount is credited or paid in the month of March—up to 30th April.
- (ii) In any other case—within seven days from the end of the month in which the tax is deducted.

Exceptions : The Assessing Officer may with the approval of the Joint Commissioner allow the payment of TDS in the following cases quarterly :

Salaries, Interest other than interest on securities, insurance commission, commission or brokerage (u/ss 192, 194A, 194D, 194H)—7th July, 7th October, 7th January and 30th April.

The tax deductor shall furnish electronically quarterly statement of deduction of tax in the following form :

1. In respect of Salary—Form No. 24Q
2. In respect of any other income—Form No. 26Q
3. In respect of the purchase of immovable property (excluding agricultural land)—Challan-cum Statement in Form No. 26QB. In this case, the amount of TDS shall be paid to the credit of the Central Government within Thirty days from the end of the month in which the deduction is made. [Rule 30(2A)]

(Rule 31A)

> Due date of furnishing the quarterly statement of TDS :

S. No	Quarter ending
1.	30th June
2.	30th September
3.	31st December
4.	31st March

Due date
31st July
31st October
31st January
31st May

Note : On-line filling of TDS Statement will be taught in the practical class.